

**City of Buchanan, Michigan –
Dial-A-Ride
Berrien County**

**Financial Report
With Supplemental Information**

September 30, 2003

City of Buchanan, Michigan – Dial-A-Ride

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Independent Auditor's Report

City of Buchanan, Michigan – Dial-A-Ride
Buchanan, Michigan

We have audited the accompanying component unit basic financial statements of the City of Buchanan, Michigan – Dial-A-Ride, as of September 30, 2003 and 2002, and for the years then ended as listed in the table of contents. These component unit financial statements are the responsibility of the City of Buchanan, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Buchanan, Michigan – Dial-A-Ride, as of September 30, 2003 and 2002, and the changes in financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required and other supplemental information listed in the financial section of the table of contents is presented for purposes of additional analysis and is not a required part of the component unit basic financial statements of the City of Buchanan, Michigan – Dial-A-Ride. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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City of Buchanan, Michigan – Dial-A-Ride
Buchanan, Michigan

The City of Buchanan, Michigan – Dial-A-Ride has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

As discussed in Note 1, the City of Buchanan, Michigan – Dial-A-Ride adopted Governmental Accounting Standards Board Statement number 34 during the current year.

Plante & Moran, PLLC

December 31, 2003

City of Buchanan, Michigan – Dial-A-Ride

Governmental Fund Balance Sheet/Statement of Net Assets

Assets

	September 30	
	2003	2002
Cash (Note 2)	\$ 22,450	\$ 12,819
Investments (Note 2)	44,523	63,137
Taxes receivable	1,159	4,821
Due from other governmental units	6,713	3,465
Total assets	<u>\$ 74,845</u>	<u>\$ 84,242</u>

Liabilities

Liabilities

Accounts payable	\$ 11,686	\$ 8,427
Deferred revenue	36,787	37,692
Total liabilities	<u>48,473</u>	<u>46,119</u>

Fund Balance/Net Assets - Unrestricted	<u>\$ 26,372</u>	<u>\$ 38,123</u>
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City of Buchanan, Michigan – Dial-A-Ride

Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/Statement of Activities

	Year Ended September 30	
	2003	2002
Revenue		
Program:		
Federal sources - U.S. DOT Operating Grant (Section 5311)	\$ 10,915	\$ 12,797
State sources - Local Bus Operating Assistance (Act 51)		
(Note 4)	55,927	50,004
Farebox revenue	11,735	9,209
General:		
Property taxes	32,870	32,577
Investment income and miscellaneous	1,396	2,098
Total revenue	112,843	106,685
Expenditures - Program		
Operating costs - Purchased transportation service	124,594	116,865
Deficiency of Revenue Over Expenditures/Change in Net Assets	(11,751)	(10,180)
Fund Balance/Net Assets - Beginning of year	38,123	48,303
Fund Balance/Net Assets - End of year	\$ 26,372	\$ 38,123

City of Buchanan, Michigan – Dial-A-Ride

Notes To Financial Statements September 30, 2003 and 2002

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

The accounting policies of the City of Buchanan, Michigan – Dial-A-Ride conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Effective October 1, 2002, Dial-A-Ride implemented the provisions of GASB Statement No. 34, *Basic Financial Statements for State and Local Governments*. There were no significant changes, other than terminology, as a result of this change.

Reporting Entity

The accompanying component unit financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The City of Buchanan, Michigan – Dial-A-Ride, is a component unit of the City of Buchanan, which has a fiscal year-ending June 30.

The City of Buchanan enters into a contract on an annual basis with Transportation Management, Inc. to provide bus services.

Basis of Accounting

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Dial-A-Ride's basic financial statements include both government-wide (reporting Dial-A-Ride as a whole) and fund financial statements (reporting Dial-A-Ride's funds).

Government-wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Property taxes billed during the month of July will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Buchanan, Michigan – Dial-A-Ride

Notes To Financial Statements September 30, 2003 and 2002

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Statement of Net Assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. Dial-A-Ride's net assets are entirely unrestricted.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to Dial-A-Ride patrons who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Dial-A-Ride considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes billed during the month of July will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at September 30. All other revenue items are considered to be available only when cash is received by Dial-A-Ride.

Dial-A-Ride reports the following major governmental funds:

The General Fund is Dial-A-Ride's primary operating fund. It accounts for all financial resources of Dial-A-Ride.

Financial Statement Amounts

Bank deposits and investments – Dial-A-Ride has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

City of Buchanan, Michigan – Dial-A-Ride

Notes To Financial Statements September 30, 2003 and 2002

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (Continued)

Receivables – All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on July 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 – Deposits and Investments

Dial-A-Ride's deposits and investments are included on the balance sheet under the following classifications:

September 30, 2003			
	Cash	Investments	Total
Deposits	\$ 22,450	\$ -	\$ 22,450
Investments	-	44,523	44,523
Total	<u>\$ 22,450</u>	<u>\$ 44,523</u>	<u>\$ 66,973</u>
September 30, 2002			
	Cash	Investments	Total
Deposits	\$ 12,819	\$ -	\$ 12,819
Investments	-	63,137	63,137
Total	<u>\$ 12,819</u>	<u>\$ 63,137</u>	<u>\$ 75,956</u>

City of Buchanan, Michigan – Dial-A-Ride

Notes To Financial Statements September 30, 2003 and 2002

Note 2 – Deposits and Investments (Continued)

Deposits

The City of Buchanan, Michigan – Dial-A-Ride's deposits are administered by the City of Buchanan and are held in separate accounts in the name of the City of Buchanan. The deposits are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$22,450 and \$12,819 at September 30, 2003 and 2002, respectively. The federal depository insurance coverage pertains to all the deposits of the City of Buchanan, hence, the specific coverage pertaining to the City of Buchanan, Michigan – Dial-A-Ride's deposits, if any, is not determinable.

Investments

The City is authorized by Michigan Public Act 20 of 1943, as amended, to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

Dial-A-Ride's investments during the year consisted solely of bank investment pools. There was \$44,523 and \$63,137 invested in such funds at September 30, 2003 and 2002, respectively. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by Dial-A-Ride; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Dial-A-Ride believes that the investments in these funds comply with the investment authority noted above.

Note 3 – Stewardship, Compliance and Accountability

The annual budget is prepared by Transportation Management Inc. and adopted by the City Commission with the approval of their contract.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan Law. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

A comparison to the budget as adopted is shown in the Required Supplemental Information for the year ended September 30, 2003. These comparisons include expenditure overruns.

City of Buchanan, Michigan – Dial-A-Ride

Notes To Financial Statements September 30, 2003 and 2002

Note 4 – State Revenue Sources

Dial-A-Ride's operating assistance is based on a budget that is estimated two years in advance. Any unexpended budget amounts reduce funding in the subsequent year. Budget excesses may also be reimbursed in a subsequent year. Unexpended amounts were offset against payments from the State as follows:

	2003	2002
State operating assistance	\$ 51,205	\$ 50,488
Additional assistance paid from excess reserves	4,722	1,325
Prior year overpayment	-	(1,809)
State revenue	<u>\$ 55,927</u>	<u>\$ 50,004</u>

Note 5 – Risk Management

The City of Buchanan, Michigan – Dial-A-Ride is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims, and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and property liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Required Supplementary Information

City of Buchanan, Michigan – Dial-A-Ride

Required Supplementary Information Budgetary Comparison Schedule – General Fund Year Ended September 30, 2003

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 39,844	\$ 32,870	\$ (6,974)
Federal sources	12,686	10,915	(1,771)
State sources (Note 4)	52,375	55,927	3,552
Farebox revenue	12,000	11,735	(265)
Investment income and miscellaneous	-	1,396	1,396
Total revenue	116,905	112,843	(4,062)
Expenditures			
Operating costs - Purchased transportation service	116,905	124,594	(7,689)
Deficiency of Revenue Over Expenditures	-	(11,751)	(11,751)
Fund Balance - Beginning of Year	38,123	38,123	-
Fund Balance - Beginning of Year	<u>\$ 38,123</u>	<u>\$ 26,372</u>	<u>\$ (11,751)</u>

City of Buchanan, Michigan – Dial-A-Ride

Required Supplementary Information Budgetary Comparison Schedule – General Fund Year Ended September 30, 2002

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 40,456	\$ 32,577	\$ (7,879)
Federal sources	12,264	12,797	533
State sources (Note 4)	50,280	50,004	(276)
Farebox revenue	10,000	9,209	(791)
Investment income and miscellaneous	-	2,098	2,098
Total revenue	113,000	106,685	(6,315)
Expenditures			
Operating costs - Purchased transportation service	113,000	116,865	(3,865)
Deficiency of Revenue Over Expenditures	-	(10,180)	(10,180)
Fund Balance - Beginning of Year	48,303	48,303	-
Fund Balance - End of Year	<u>\$ 48,303</u>	<u>\$ 38,123</u>	<u>\$ (10,180)</u>

Other Supplementary Information

City of Buchanan, Michigan – Dial-A-Ride

Schedule of Net Eligible Cost Computations of General Operations Year Ended September 30, 2003

	Nonurban City	Small Urban City	Total
Expenditures:			
Purchased transportation service	\$ 100,431	\$ 24,918	\$ 125,349
Less: ineligible expenditures	<u>755</u>	<u>-</u>	<u>755</u>
Net eligible expenditures	<u>\$ 99,676</u>	<u>\$ 24,918</u>	<u>\$ 124,594</u>
Maximum section 5311 reimbursement	<u>\$ 10,915</u>		
State Operating Assistance			\$ 51,205
Less: Statutory cap of 50% of net eligible expenditures			<u>62,297</u>
Amount due from State			<u>\$ 11,092</u>

City of Buchanan, Michigan – Dial-A-Ride

Schedule of Mileage Data Year Ended September 30, 2003

(Unaudited)

Public
Transportation

Vehicle Mileage:

First Quarter	9,670
Second Quarter	9,119
Third Quarter	9,794
Fourth Quarter	<u>9,856</u>
Total vehicle miles	<u>38,439</u>

The methodology used for compiling mileage has been reviewed and found to be adequate and a reliable method for recording vehicle mileage.